MESSAGE FROM THE GOVERNOR
REGARDING VETO OF SUBSTITUTE FOR HOUSE BILL 2178

My veto of Substitute for House Bill 2178 is based in my belief that, as the elected public servants of Kansas, we must not choose to resolve budget challenges on the backs of middle income Kansans with retroactive personal income tax increases.

We should be clear about what this bill will do. The proposed tax increase will raise income tax liability for married Kansans filing jointly earning at least $30,000 per year from 4.6% to 5.25%, and from 4.6% to 5.45% for those married filers earning more than $100,000 per year. At the same time, income tax rates for small businesses will increase from 0% up to 5.45%, depending on income. More to the point, any single full-time worker earning more than $9.74 per hour will see an income tax increase.

Working families and small businesses are the backbone of our economy, and we should not punish them.

Moreover, applying a retroactive tax increase on our citizens is irresponsible and will ultimately harm families and individuals who are working to make ends meet. Were this bill to become law, the majority of Kansans would see a significant reduction in their paycheck immediately. This is unfair.

I also reject the idea that we must choose to either make large cuts to public education or burden every hard working Kansan with a higher tax rate. This dichotomy is false. In my budget proposal, I suggested modest revenue measures on targeted consumption and taxes paid by businesses. I have also proposed adoption of efficiencies recommended by the study commissioned by the Legislature, all of which result in a structurally balanced budget by Fiscal Year 2019. It is irresponsible to raise taxes on low and middle income Kansans without first ensuring we are doing everything we can to keep the cost of government low.

Kansas has pioneered new ground to generate small business growth and thus create jobs and economic opportunity for more Kansans. We have seen record levels of new business formation and consistently low unemployment. These efforts have been successful, and reversing course now will have a long term negative impact on growing business and opportunity in Kansas. Instead, this bill would raise the tax burden on every small business in the state, create a new tax bracket, raise the income tax liability of Kansans, and would result in undermining the economic health of our state and the opportunity for every Kansan to provide for themselves and their families.

It is our responsibility to make the decisions to build a brighter future for Kansas and to ensure that we do everything we can to provide high quality government service at the lowest cost to Kansans.

Over the coming weeks, I will remain committed to working with legislative leadership to develop a plan that structurally balances our budget without permanently harming hard working Kansans.

Accordingly, pursuant to Article 2, Section 14(a) of the Constitution of the State of Kansas, I hereby veto House Bill 2178.

Dated: February 22, 2017
Signed: Sam Brownback, Governor of Kansas

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 2016 Supp. 79-32,110 is hereby amended to read as follows: 79-32,110. (a) Resident Individuals. Except as otherwise provided by K.S.A. 79-3220(a), and amendments thereto, a tax is hereby imposed upon the Kansas taxable income of every resident individual, which tax shall be computed in accordance with the following tax schedules:

(1) Married individuals filing joint returns.

(A) For tax year 2012:

If the taxable income is: The tax is:
Not over $30,000 ...............................3.5% of Kansas taxable income
Over $30,000 but not over $60,000 ......$1,050 plus 6.25% of excess over $30,000
Over $60,000 ...............................$2,925 plus 6.45% of excess over $60,000

(B) For tax year 2013:

If the taxable income is: The tax is:
Not over $30,000 ...............................3.0% of Kansas taxable income
Over $30,000 ....................................$900 plus 4.9% of excess over $30,000

(C) For tax year 2014:

If the taxable income is: The tax is:
Not over $30,000 ...............................2.7% of Kansas taxable income
Over $30,000 ....................................$810 plus 4.8% of excess over $30,000

(D) For tax years 2015, 2016 and 2017:

If the taxable income is: The tax is:
Not over $30,000 ...............................2.7% of Kansas taxable income
Over $30,000 ....................................$810 plus 4.6% of excess over $30,000

(E) For tax years 2018, 2019, and all tax years thereafter:

If the taxable income is: The tax is:
Not over $30,000 ...............................2.6% of Kansas taxable income
Over $30,000 but not over $100,000 .......$810 plus 5.25% of excess over $30,000
Over $100,000 ..................................$4,485 plus 5.45% of excess over $100,000

(2) All other individuals.

(A) For tax year 2012:

If the taxable income is: The tax is:
Not over $15,000 ...............................3.5% of Kansas taxable income
Over $15,000 but not over $30,000 ......$525 plus 6.25% of excess over $15,000
Over $30,000 ....................................$1,462.50 plus 6.45% of excess over $30,000

(B) For tax year 2013:

If the taxable income is: The tax is:
Not over $15,000 ...............................3.0% of Kansas taxable income
Over $15,000 ....................................$450 plus 4.9% of excess over $15,000

(C) For tax year 2014:

If the taxable income is: The tax is:
Not over $15,000 ...............................2.7% of Kansas taxable income
Over $15,000 ....................................$405 plus 4.8% of excess over $15,000

(D) For tax years 2015 and 2016:

If the taxable income is: The tax is:
Not over $15,000 ...............................2.7% of Kansas taxable income
Over $15,000 ........................................ $405 plus 4.6% of excess over $15,000

(E) For tax year 2018, and all tax years thereafter:

If the taxable income is: The tax is:

Not over $15,000 ........................................ $2,790 of Kansas taxable income

Over $15,000 but not over $50,000 .......... $2,790 plus 5.25% of excess over $15,000

Over $50,000 ........................................ $2,424.50 plus 5.45% of excess over $50,000

(b) Nonresident Individuals. A tax is hereby imposed upon the Kansas taxable income of every nonresident individual, which tax shall be an amount equal to the tax computed under subsection (a) as if the nonresident were a resident multiplied by the ratio of modified Kansas source income to Kansas adjusted gross income.

(c) Corporations. A tax is hereby imposed upon the Kansas taxable income of every corporation doing business within this state or deriving income from sources within this state. Such tax shall consist of a normal tax and a surtax and shall be computed as follows:

(1) The normal tax shall be in an amount equal to 4% of the Kansas taxable income of such corporation; and

(2) (A) for tax year 2008, the surtax shall be in an amount equal to 3.1% of the Kansas taxable income of such corporation in excess of $50,000;

(B) for tax years 2009 and 2010, the surtax shall be in an amount equal to 3.05% of the Kansas taxable income of such corporation in excess of $50,000; and

(C) for tax year 2011, and all tax years thereafter, the surtax shall be in an amount equal to 3% of the Kansas taxable income of such corporation in excess of $50,000.

(d) Fiduciaries. A tax is hereby imposed upon the Kansas taxable income of estates and trusts at the rates provided in subsection (a)(2) hereof.

(e) Tax rates provided in this section shall be adjusted pursuant to the provisions of K.S.A. 2016 Supp. 79-32,269, and amendments thereto.

(f) Notwithstanding the provisions of subsections (a) and (b), for tax year 2016, and all tax years thereafter, married individuals filing joint returns with taxable income of $12,500 or less, and all other individuals with taxable income of $5,000 or less, shall have a tax liability of zero.

(f) Any taxpayer whose withholding or estimated tax payments were based upon the rates as provided in subsection (a) as it appears on June 30, 2017, shall not be assessed penalties and interest arising from the underpayment of taxes due to changes to the rates in subsection (a) that became law on July 1, 2017, so long as such underpayment is rectified on or before April 15, 2018.

Sec. 2. K.S.A. 2016 Supp. 79-32,117 is hereby amended to read as follows: 79-32,117. (a) The Kansas adjusted gross income of an individual means such individual’s federal adjusted gross income for the taxable year, with the modifications specified in this section.

(b) There shall be added to federal adjusted gross income:

(i) Interest income less any related expenses directly incurred in the purchase of state or political subdivision obligations, to the extent that the same is not included in federal adjusted gross income, on obligations of any state or political subdivision thereof, but to the extent that interest income on obligations of this state or a political subdivision thereof issued prior to January 1, 1988, is specifically exempt from income tax under the laws of this state authorizing the issuance of such obligations, it shall be excluded from computation of Kansas adjusted gross income whether or not included in federal adjusted gross income. Interest income on obligations of this state or a political subdivision thereof issued after December 31, 1987, shall be excluded from computation of Kansas adjusted gross income whether or not included in federal adjusted gross income.

(ii) Taxes on or measured by income or fees or payments in lieu of income taxes imposed by this state or any other taxing jurisdiction to the extent deductible in determining federal adjusted gross income and not credited against federal income tax. This paragraph shall not apply to taxes...
imposed under the provisions of K.S.A. 79-1107 or 79-1108, and amend-
ments thereto, for privilege tax year 1995, and all such years thereafter.

(iii) The federal net operating loss deduction, except that the federal
net operating loss deduction shall not be added to an individual’s federal
adjusted gross income for tax years beginning after December 31, 2016.

(iv) Federal income tax refunds received by the taxpayer if the de-
duction of the taxes being refunded resulted in a tax benefit for Kansas
income tax purposes during a prior taxable year. Such refunds shall be
included in income in the year actually received regardless of the method
of accounting used by the taxpayer. For purposes hereof, a tax benefit
shall be deemed to have resulted if the amount of the tax had been de-
ducted in determining income subject to a Kansas income tax for a prior
year regardless of the rate of taxation applied in such prior year to the
Kansas taxable income, but only that portion of the refund shall be in-
cluded as bears the same proportion to the total refund received as the
federal taxes deducted in the year to which such refund is attributable
bears to the total federal income taxes paid for such year. For purposes
of the foregoing sentence, federal taxes shall be considered to have been
deducted only to the extent such deduction does not reduce Kansas tax-
able income below zero.

(v) The amount of any depreciation deduction or business expense
deduction claimed on the taxpayer’s federal income tax return for any
capital expenditure in making any building or facility accessible to the
handicapped, for which expenditure the taxpayer claimed the credit al-
lowed by K.S.A. 79-32,177, and amendments thereto.

(vi) Any amount of designated employee contributions picked up by
an employer pursuant to K.S.A. 12-5005, 20-2603, 74-4919 and 74-4965,
and amendments thereto.

(vii) The amount of any charitable contribution made to the extent
the same is claimed as the basis for the credit allowed pursuant to K.S.A.
79-32,196, and amendments thereto.

(viii) The amount of any costs incurred for improvements to a swine
facility, claimed for deduction in determining federal adjusted gross in-
come, to the extent the same is claimed as the basis for any credit allowed
pursuant to K.S.A. 2016 Supp. 79-32,204, and amendments thereto.

(ix) The amount of any ad valorem taxes and assessments paid and
the amount of any costs incurred for habitat management or construction
and maintenance of improvements on real property, claimed for deduc-
tion in determining federal adjusted gross income, to the extent the same
is claimed as the basis for any credit allowed pursuant to K.S.A. 79-32,203,
and amendments thereto.

(x) Amounts received as nonqualified withdrawals, as defined by
K.S.A. 2016 Supp. 75-643, and amendments thereto, if, at the time of
contribution to a family postsecondary education savings account, such
amounts were subtracted from the federal adjusted gross income pur-
suant to K.S.A. 79-32,117(c)(v), and amendments thereto, if such
amounts are not already included in the federal adjusted gross income.

(xi) The amount of any contribution made to the same extent the
same is claimed as the basis for the credit allowed pursuant to K.S.A.
2016 Supp. 74-50,154, and amendments thereto.

(xii) For taxable years commencing after December 31, 2004,
amounts received as withdrawals not in accordance with the provisions
of K.S.A. 2016 Supp. 74-50,204, and amendments thereto, if, at the time
of contribution to an individual development account, such amounts were
subtracted from the federal adjusted gross income pursuant to subsection
(c)(xiii), or if such amounts are not already included in the federal ad-
justed gross income.

(xiii) The amount of any expenditures claimed for deduction in de-
termining federal adjusted gross income, to the extent the same is claimed
as the basis for any credit allowed pursuant to K.S.A. 2016 Supp.
79-32,217 through 79-32,220 or 79-32,222, and amendments thereto.

(xiv) The amount of any amortization deduction claimed in deter-
miming federal adjusted gross income to the extent the same is claimed
for deduction pursuant to K.S.A. 2018 Supp. 79-32,221, and amendments
thereto.

(xv) The amount of any expenditures claimed for deduction in deter-
miming federal adjusted gross income, to the extent the same is claimed
as the basis for any credit allowed pursuant to K.S.A. 2016 Supp. 79-

(xvii) The amount of any amortization deduction claimed in determining federal adjusted gross income to the extent the same is claimed for deduction pursuant to K.S.A. 2016 Supp. 79-32,256, and amendments thereto.

(xviii) For taxable years commencing after December 31, 2006, the amount of any ad valorem or property taxes and assessments paid to a state other than Kansas or local government located in a state other than Kansas by a taxpayer who resides in a state other than Kansas, when the law of such state does not allow a resident of Kansas who earns income in such other state to claim a deduction for ad valorem or property taxes or assessments paid to a political subdivision of the state of Kansas in determining taxable income for income tax purposes in such other state, to the extent that such taxes and assessments are claimed as an itemized deduction for federal income tax purposes.

(xix) For taxable years commencing after December 31, 2012, and ending before January 1, 2017, the amount of any: (1) Loss from business as determined under the federal internal revenue code and reported from schedule C and on line 12 of the taxpayer’s form 1040 federal individual income tax return; (2) loss from rental real estate, royalties, partnerships, S corporations, except those with wholly owned subsidiaries subject to the Kansas privilege tax, estates, trusts, residual interest in real estate mortgage investment conduits and net farm rental as determined under the federal internal revenue code and reported from schedule E and on line 17 of the taxpayer’s form 1040 federal individual income tax return; and (3) farm loss as determined under the federal internal revenue code and reported from schedule F and on line 18 of the taxpayer’s form 1040 federal income tax return; all to the extent deducted or subtracted in determining the taxpayer’s federal adjusted gross income. For purposes of this subsection, references to the federal form 1040 and federal schedule C, schedule E, and schedule F, shall be to such form and schedules as they existed for tax year 2011, and as revised thereafter by the internal revenue service.

(xx) For taxable years commencing after December 31, 2012, and ending before January 1, 2017, the amount of any: (1) Deduction for self-employment taxes under section 164(f) of the federal internal revenue code as in effect on January 1, 2012, and amendments thereto, in determining the federal adjusted gross income of an individual taxpayer, to the extent the deduction is attributable to income reported on schedule C, E or F and on line 12, 17 or 18 of the taxpayer’s form 1040 federal income tax return.

(xxi) For taxable years commencing after December 31, 2012, and ending before January 1, 2017, the amount of any deduction for retirement plan contributions under section 415(c) of the federal internal revenue code as in effect on January 1, 2012, and amendments thereto, in determining the federal adjusted gross income of an individual taxpayer.

(xxii) For taxable years commencing after December 31, 2012, and ending before January 1, 2017, the amount of any deduction for health insurance under section 62(a)(6) of the federal internal revenue code as in effect on January 1, 2012, and amendments thereto, in determining the federal adjusted gross income of an individual taxpayer.

(xxiii) For taxable years commencing after December 31, 2012, and ending before January 1, 2017, the amount of any deduction for health insurance under section 162(l) of the federal internal revenue code as in effect on January 1, 2012, and amendments thereto, in determining the federal adjusted gross income of an individual taxpayer.

(xxiv) For taxable years commencing after December 31, 2013, that portion of the amount of any expenditure deduction claimed in determining federal adjusted gross income for expenses paid for medical care of the taxpayer or the taxpayer’s spouse or dependents when such expenses were paid or incurred for an abortion, or for a health benefit plan,
as defined in K.S.A. 2016 Supp. 65-6731, and amendments thereto, for the purchase of an optional rider for coverage of abortion in accordance with K.S.A. 2016 Supp. 40-2,190, and amendments thereto, to the extent that such taxes and assessments are claimed as an itemized deduction for federal income tax purposes.

(xxx) For taxable years commencing after December 31, 2013, that portion of the amount of any expenditure deduction claimed in determining federal adjusted gross income for expenses paid by a taxpayer for health care when such expenses were paid or incurred for abortion coverage, a health benefit plan, as defined in K.S.A. 2016 Supp. 65-6731, and amendments thereto, when such expenses were paid or incurred for abortion coverage or amounts contributed to health savings accounts for such taxpayer’s employees for the purchase of an optional rider for coverage of abortion in accordance with K.S.A. 2016 Supp. 40-2,190, and amendments thereto, to the extent that such taxes and assessments are claimed as a deduction for federal income tax purposes.

(c) There shall be subtracted from federal adjusted gross income:

(i) Interest or dividend income on obligations or securities of any authority, commission or instrumentality of the United States and its possessions less any related expenses directly incurred in the purchase of such obligations or securities, to the extent included in federal adjusted gross income but exempt from state income taxes under the laws of the United States.

(ii) The portion of any gain or loss from the sale or other disposition of property having a higher adjusted basis for Kansas income tax purposes than for federal income tax purposes on the date such property was sold or disposed of in a transaction in which gain or loss was recognized for purposes of federal income tax that does not exceed such difference in basis, but if a gain is considered a long-term capital gain for federal income tax purposes, the modification shall be limited to that portion of such gain which is included in federal adjusted gross income.

(iv) The amount necessary to prevent the taxation under this act of any annuity or other amount of income or gain which was properly included in income or gain and was taxed under the laws of this state for a taxable year prior to the effective date of this act, as amended, to the taxpayer, or to a decedent by reason of whose death the taxpayer acquired the right to receive the income or gain, or to a trust or estate from which the taxpayer received the income or gain.

(v) The amount of any refund or credit for overpayment of taxes on or measured by income or fees or payments in lieu of income taxes imposed by this state, or any taxing jurisdiction, to the extent included in gross income for federal income tax purposes.

(vi) Accumulation distributions received by a taxpayer as a beneficiary of a trust to the extent that the same are included in federal adjusted gross income.

(vii) Amounts received as annuities under the federal civil service retirement system from the civil service retirement and disability fund and other amounts received as retirement benefits in whatever form which were earned for being employed by the federal government or for service in the armed forces of the United States.

(viii) Amounts received by retired railroad employees as a supplemental annuity under the provisions of 45 U.S.C. §§ 225b (a) and 225c (a)(1) et seq.

(ix) Amounts received by retired employees of a city and by retired employees of any board of such city as retirement allowances pursuant to K.S.A. 13-14,106, and amendments thereto, or pursuant to any charter ordinance exempting a city from the provisions of K.S.A. 13-14,106, and amendments thereto.

(x) For taxable years beginning after December 31, 1976, the amount of the federal tentative jobs tax credit disallowance under the provisions of 26 U.S.C. § 280 C. For taxable years ending after December 31, 1978, the amount of the targeted jobs tax credit and work incentive credit disallowances under 26 U.S.C. § 280 C.

(xi) Dividend income on stock issued by Kansas venture capital, inc.
(xii) For taxable years beginning after December 31, 1989, amounts received by retired employees of a board of public utilities as pension and retirement benefits pursuant to K.S.A. 13-1246, 13-1246a and 13-1249, and amendments thereto.

(xiii) For taxable years beginning after December 31, 2004, amounts contributed to and the amount of income earned on contributions deposited to an individual development account under K.S.A. 2016 Supp. 74-50,201 et seq., and amendments thereto.

(xiv) For all taxable years commencing after December 31, 1996, that portion of any income of a bank organized under the laws of this state or any other state, a national banking association organized under the laws of the United States, an association organized under the savings and loan code of this state or any other state, or a federal savings association organized under the laws of the United States, for which an election as an S corporation under subchapter S of the federal internal revenue code is in effect, which accrues to the taxpayer who is a stockholder of such corporation and which is not distributed to the stockholders as dividends of the corporation. For all taxable years beginning after December 31, 2012, and ending before January 1, 2017, the amount of modification under this subsection shall exclude the portion of income or loss reported on schedule E and included on line 17 of the taxpayer’s form 1040 federal individual income tax return.

(xv) For all taxable years beginning after December 31, 2006, amounts not exceeding $3,000, or $6,000 for a married couple filing a joint return, for each designated beneficiary which are contributed to a family postsecondary education savings account established under the Kansas postsecondary education savings program or a qualified tuition program established and maintained by another state or agency or instrumentality thereof pursuant to section 529 of the internal revenue code of 1986, as amended, for the purpose of paying the qualified higher education expenses of a designated beneficiary at an institution of postsecondary education. The terms and phrases used in this paragraph shall have the meaning respectively ascribed thereto by the provisions of K.S.A. 2016 Supp. 75-643, and amendments thereto, and the provisions of such section are hereby incorporated by reference for all purposes thereof.

(xvi) For all taxable years beginning after December 31, 2004, amounts received by taxpayers who are or were members of the armed forces of the United States, including service in the Kansas army and air national guard, as a recruitment, sign up or retention bonus received by such taxpayer as an incentive to join, enlist or remain in the armed services of the United States, including service in the Kansas army and air national guard, and amounts received for repayment of educational or student loans incurred by or obligated to such taxpayer and received by such taxpayer as a result of such taxpayer’s service in the armed forces of the United States, including service in the Kansas army and air national guard.

(xvii) For all taxable years beginning after December 31, 2004, amounts received by taxpayers who are eligible members of the Kansas army and air national guard as a reimbursement pursuant to K.S.A. 48-281, and amendments thereto, and amounts received for death benefits pursuant to K.S.A. 48-282, and amendments thereto, or pursuant to section 1 or section 2 of chapter 207 of the 2005 Session Laws of Kansas, and amendments thereto, to the extent that such death benefits are included in federal adjusted gross income of the taxpayer.

(xviii) For the taxable year beginning after December 31, 2006, amounts received as benefits under the federal social security act which are included in federal adjusted gross income of a taxpayer with federal adjusted gross income of $50,000 or less, whether such taxpayer’s filing status is single, head of household, married filing separate or married filing jointly; and for all taxable years beginning after December 31, 2007, amounts received as benefits under the federal social security act which are included in federal adjusted gross income of a taxpayer with federal adjusted gross income of $75,000 or less, whether such taxpayer’s filing status is single, head of household, married filing separate or married filing jointly.

(xix) Amounts received by retired employees of Washburn university as retirement and pension benefits under the university’s retirement plan.

(xx) For all taxable years beginning after December 31, 2012, and ending before January 1, 2017, the amount of any: (1) Net profit from
business as determined under the federal internal revenue code and re-
ported from schedule C and on line 12 of the taxpayer’s form 1040 federal
individual income tax return; (2) net income, not including guaranteed
payments as defined in section 707(c) of the federal internal revenue code
and as reported to the taxpayer from federal schedule K-1, (form 1065-
B), in box 9, code F or as reported to the taxpayer from federal schedule
K-1, (form 1065) in box 4, from rental real estate, royalties, partnerships,
S corporations, estates, trusts, residual interest in real estate mortgage
investment conduits and net farm rental as determined under the federal
internal revenue code and reported from schedule E and on line 17 of
the taxpayer’s form 1040 federal individual income tax return; and (3) net
farm profit as determined under the federal internal revenue code and
reported from schedule F and on line 18 of the taxpayer’s form 1040
federal income tax return; all to the extent included in the taxpayer’s
federal adjusted gross income. For purposes of this subsection, references
to the federal form 1040 and federal schedule C, schedule E, and sched-
ule F, shall be to such form and schedules as they existed for tax year
2011 and as revised thereafter by the internal revenue service.

(xxi) For all taxable years beginning after December 31, 2013,
amounts equal to the unreimbursed travel, lodging and medical expend-
tures directly incurred by a taxpayer while living, or a dependent of the
taxpayer while living, for the donation of one or more human organs of
the taxpayer, or a dependent of the taxpayer, to another person for human
organ transplantation. The expenses may be claimed as a subtraction
modification provided for in this section to the extent the expenses are
not already subtracted from the taxpayer’s federal adjusted gross income.
In no circumstances shall the subtraction modification provided for in
this section for any individual, or a dependent, exceed $5,000. As used in
this section, “human organ” means all or part of a liver, pancreas, kidney,
intestine, lung or bone marrow. The provisions of this paragraph shall
take effect on the day the secretary of revenue certifies to the director of
the budget that the cost for the department of revenue of modifications
to the automated tax system for the purpose of implementing this para-
graph will not exceed $200,000.

(xxii) For all taxable years beginning after December 31, 2012, and
ending before January 1, 2017, the amount of net gain from the sale of:
(1) Cattle and horses, regardless of age, held by the taxpayer for draft,
breeding, dairy or sporting purposes, and held by such taxpayer for 24
months or more from the date of acquisition; and (2) other livestock,
regardless of age, held by the taxpayer for draft, breeding, dairy or sport-
ing purposes, and held by such taxpayer for 12 months or more from the
date of acquisition. The subtraction from federal adjusted gross income
shall be limited to the amount of the additions recognized under the
provisions of subsection (b)(six) attributable to the business in which the
livestock sold had been used. As used in this paragraph, the term “live-
stock” shall not include poultry.

(xxiii) For all taxable years beginning after December 31, 2012,
amounts received under either the Overland Park, Kansas police depart-
ment retirement plan or the Overland Park, Kansas fire department re-
tirement plan, both as established by the city of Overland Park, pursuant
to the city’s home rule authority.

(xxiv) For all taxable years beginning after December 31, 2013, the
net gain from the sale from Christmas trees grown in Kansas and held by
the taxpayer for six years or more.

(d) There shall be added to or subtracted from federal adjusted gross
income the taxpayer’s share, as beneficiary of an estate or trust, of the
Kansas fiduciary adjustment determined under K.S.A. 79-32,135, and
amendments thereto.

(e) The amount of modifications required to be made under this sec-
tion by a partner which relates to items of income, gain, loss, deduction
or credit of a partnership shall be determined under K.S.A. 79-32,131,
and amendments thereto, to the extent that such items affect federal
adjusted gross income of the partner.

(f) Any taxpayer who is in compliance with the provisions of this sec-
tion as they appear on June 30, 2017, shall not be assessed penalties
and interest from the underpayment of taxes due to changes to this section
that became law on July 1, 2017, so long as such underpayment occurred
prior to July 1, 2017, and is rectified on or before April 15, 2018.
Sec. 3. K.S.A. 2016 Supp. 79-32,120 is hereby amended to read as follows: 79-32,120. (a) (1) If federal taxable income of an individual is determined by itemizing deductions from such individual’s federal adjusted gross income, such individual may elect to deduct the Kansas itemized deduction in lieu of the Kansas standard deduction.

(2) For the tax year commencing on January 1, 2013, the Kansas itemized deduction of an individual means 70% of the total amount of deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section.

(3) For the tax year commencing on January 1, 2014, the Kansas itemized deduction of an individual means 65% of the total amount of deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section.

(4) For the tax years commencing on and after January 1, 2015, and ending before January 1, 2017, the Kansas itemized deduction of an individual means the following deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section: (A) 100% of charitable contributions that qualify as charitable contributions allowable as deductions in section 170 of the federal internal revenue code; (B) 50% of the amount of qualified residence interest as provided in section 163(h) of the federal internal revenue code; and (C) 50% of the amount of taxes on real and personal property as provided in section 164(a) of the federal internal revenue code.

(5) For the tax years commencing on and after January 1, 2017, the Kansas itemized deduction of an individual means the following deductions from federal adjusted gross income, other than federal deductions for personal exemptions, as provided in the federal internal revenue code with the modifications specified in this section: (A) 100% of charitable contributions that qualify as charitable contributions allowable as deductions in section 170 of the federal internal revenue code; (B) 100% of expenses for medical care allowable as deductions in section 213 of the federal internal revenue code; (C) 50% of the amount of qualified residence interest as provided in section 163(h) of the federal internal revenue code; and (D) 50% of the amount of taxes on real and personal property as provided in section 164(a) of the federal internal revenue code.

(b) The total amount of deductions from federal adjusted gross income shall be reduced by the total amount of income taxes imposed by or paid to this state or any other taxing jurisdiction to the extent that the same are deducted in determining the federal itemized deductions and by the amount of all depreciation deductions claimed for any real or tangible personal property upon which the deduction allowed by K.S.A. 2016 Supp. 79-32,221, 79-32,227, 79-32,232, 79-32,237, 79-32,240, 79-32,250, 79-32,255 or 79-32,256, and amendments thereto, is or has been claimed.

Sec. 5. This act shall take effect and be in force from and after its publication in the statute book.

I hereby certify that the above Bill originated in the House, and passed that body.

______________________________
Speaker of the House

______________________________
Chief Clerk of the House

Passed the Senate __________________________

______________________________
President of the Senate

______________________________
Secretary of the Senate

APPROVED __________________________

______________________________
Governor